

# Analysis of Accounting-Based Measures of Expected Returns: A Study of Private SME In Kurdistan

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## Abstract

*The research is going a novel route by investigating whether investors project previous performance into the future in order to come up with their estimates about future stock returns. The way earlier research estimates investors' expectations is to use experiments or surveys to determine those expectations. In contrast, we generate investors' expectations by taking stock prices, the book value of equity, and analyst earnings projections into consideration. The research was conducted in Erbil's SME. The researchers used a quantitative approach to evaluate the impact of Accounting-based will have significant influence on expected returns in SME in Kurdistan region of Iraq. The present thesis was analyzed using a questionnaire. Sample design is the technique or process that the researcher is able to accept in selecting objects for the survey is referred to as sample design. The research sample was chosen using a random sampling method and carried out in various locations in Kurdistan region of Iraq. A total of 175 questionnaires were issued, but only 162 participants completed them correctly. Thus, results are often debated because this metric is not frequently observable, exceptionally difficult to measure, and there is no generally accepted method for estimating its value. We argue that by definition, the standard for measuring a cross-section of future returns will provide statistical "proxies" that on average estimate future market returns across different asset classes. Although much work has been done on this measurement problem, as far as we know, no such approach exists. Nevertheless, it is important to take the findings of this study into consideration, especially given the following limitations. Similarly, we did not obtain subjective evaluations from expert informants as we did not have access to the necessary databases. The finding revealed that the accounting-based strongly predicts expected returns (Beta is weight .701, p.001), implying that accounting-based would have a clear beneficial relationship with expected returns based on this finding the research hypothesis is supported.*

**Keywords—** Accounting-Based, Expected results, small and medium enterprises, Erbil, Kurdistan region of Iraq.

## I. INTRODUCTION

The key to solving this problem is finding out where the problem actually lies. Another objective of this document is

to bring clarity to the areas of dispute and so put an end to the argument. CCA following shows substantial logical contradictions with an underlying assumption behind the

usage of accounting-based calculations. As a result, the approach used by them is not accurate. Because no one has yet attempted to fill in the vacuum in the empirical literature on the expected return on equity, analysis is tasked with closing the gap and supplementing it. We in particular are interested in determining if it is possible to calculate an estimate of the cost of capital when an unpredictable return is expected. Even if a time-varying predicted holding period approach has not yet been found for the company level (Damit, et al. 2019), several research programs have provided the foundation for its application across the business cross section (Gardi, 2021). Also known as expected return proxies, popular firm-level expected returns use the expected return from the classical capital asset pricing model and (Abdullah & Anwar, 2021) three-factor model as a proxy for anticipated returns. Earnings volatility and other existing accounting-based risk measurements treat the range of potential downside outcomes and the range of potential upside outcomes equally. This reflects the very different risks they represent. If things go normally, risk is only shown when moments of stress arise. Because of this, downward earnings volatility is given different consideration than the upside. Stakeholders view their company's performance from a variety of perspectives, which causes stakes to be high for everyone. The organization considers the interests of both internal and external stakeholders in making choices, using the matrix (Sorguli, et al. 2020). Creditors and competitors, especially as stakeholders, use it. The phrase "corporate performance" is used to define the group return, production efficiency, and financial growth in different ways by different groups. It is a judgment that has been arrived at after studying financial principles over a period of time (Abdullah, et al. 2017). Corporate dividend payouts follow the financial theory of the free cash flow hypothesis, and in the lack of new investment opportunities, corporations will follow this practice. Corporations, on average, cannot produce a comparable internal rate of return. In other words, it is better to pay dividends out of retained earnings. Generally speaking, the results of this study don't show how a company's post-acquisition performance will change (Sorguli, et al. 2020).

Since there is no evidence to support this possibility, we revise analyst earnings projections by replacing them with realized earnings and re-estimate investors' expected returns and growth rates (Gardi, 2021). We arrive at comparable conclusions using the estimates of projected returns and growth rates, which lends more support to the idea that our findings aren't due to the optimism bias that affects analysts' profit forecasts. To cite accounting-based estimations of the ERR in the accounting and finance research literatures is no longer a rare occurrence. There is, however, conflicting

empirical data in regards to their dependability, and research that seeks to evaluate these estimations is typically referred to be problematic. Our primary belief is that the source of the issue has not been adequately comprehended or at least poorly communicated. One of the aims of this paper is to clearly elucidate the points of contention and thereby resolve the disagreement (Ahmed, et al. 2021). We show that the strategy employed by Botosan and Plumlee (2005) (BP hereinafter), which is one of the two competing evaluation methodologies, has significant logical inconsistencies with a major, implicit assumption that underlies the use of accounting-based estimations. Because of this, it follows that their technique cannot produce valid inferences. analysis tries to close a gap in the empirical literature on the expected return on equity to compensate for the gap in empirical analysis on the efficacy of implied cost of capital as a proxy for expected return on equity. Specifically, we investigate the correlation between the estimated cost of capital and projected returns when these are assumed to be stochastic. Even if an appropriate method for deriving time-varying expected holding period returns on equity for the company level has not yet been found, many research initiatives have advanced the possibility of using it for the cross section of enterprises. According to popular firm-level expected returns produced by the traditional capital asset pricing model and the Fama and Ismael, et al. (2021) three-factor model, or to the more recent proxies suggested by the implied cost of equity capital literature, popular firm-level expected returns implicitly assume constant expected returns (Ali & Anwar, 2021). The range of potential downside outcomes as well as the range of potential upside outcomes are given equal weight in earnings volatility and other existing accounting-based risk metrics, which reflects the dramatically different risks they provide compared to their worst states. Under normal conditions, risk is only exposed in times of adversity. Accordingly, downside earnings volatility should be valued differently from the upside. The various stakeholders all see their company's performance in various ways, and hence the stakes are high for each (Ali, et al. 2021). The company uses the matrix to consider both internal and external stakeholders' interests when making decisions. It is also employed by creditors and competitors, especially since these stakeholders may impact company performance. Different groups use the term corporate performance to describe it in various ways, including return, production efficiency, and financial growth. It is a long-term conclusion, from many studies done over a period of time, that financial fundamentals are effective (Gardi, 2021). In the absence of new investment possibilities, companies will typically pay dividends since the free cash flow hypothesis supports this practice. In other words, a

corporation cannot generate an internal rate of return comparable to the return received. Therefore, it is better to pay retained earnings as dividends. For the most part, the outcomes of this study stream do not give any solid proof of better post-acquisition performance (Anwar & Climis, 2017).

## II. LITERATURE REVIEW

### Accounting-Based

Behavioral research differs from typical anticipated return studies because of the technique it employs. A more rigorous investigation of this topic would focus on what people expect to happen and then attempt to measure those results. According to conventional asset pricing models, investors are expected to use past stock returns to predict future returns (Aziz, et al. 2021). However, behavioral research suggests that investors instead base their expectations on past stock performances. This is another example of the prediction technique (Anwar, 2017) utilized in his study in which he evaluated a group of 27 college students to see how well they could forecast future stock values after showing them both a bull and a bear market. Students who witnessed the rise in market prices in a bull market expected the increase to continue, whereas those who watched the decline in market prices in a bear market expected the decline to continue (Anwar & Qadir, 2017). These empirical issues become more acute when multinational contexts are taken into consideration (Lee, Ng, and Swaminathan, 2009). Different world marketplaces, varying regulatory and governance frameworks, diverse levels of international data, and disparate accounting reporting standards provide numerous challenges to formulating a standard or methodology for quantifying worldwide expected returns. Previous study has found that variables considered to account for variation in the US stock returns may not be relevant to value investors' performance in different markets (Fama and French, 2012; Hou, Karolyi, and Kho, 2011). Theory and empirical assessments have concluded that there is a possibility to challenge whether or not constant expected returns are valid. Investor dependency on random states of nature is a crucial finding from (Hamza, et al. 2021) study on inter-temporal capital asset pricing. The stationary distribution model, which states that assets have predictable cash flow, is what is known as a bedrock theory in investing. According to Shiller, stock market investments are so erratic that it's impossible to use stationary distribution cash flow innovations to explain them (Hameed & Anwar, 2018). Concepts like determining financial formulas and comprehending the workings of finance have long been essential areas of financial theory, but this has never been

practiced in practice (Sabir, et al. 2021). The central organizing theoretical and empirical concern in the asset-pricing discipline has been figuring out the source of discrepancies in expected returns (Ismael, et al. 2021). This study seeks to uncover the following facts: Returns and earnings are linked when earlier research evaluates them. The Konchitchki (2011) study discovered that while returns lag behind earnings, as demonstrated in the Ball and Brown (1968) study and the Beaver (1997) study, this relationship is also absent in the (Sorguli & Al-Kake, 2020) study. The time-averaged earnings metric is more significant when studying the Beaver et al. (1997) study than the other studies. As a result, as opposed to this, in contrast to this, private sector accounting standards appear rather than government sector norms in common-law countries. Firms often don't disclose all the details in their financial statements since only some of the information is relevant to assessing their long-term financial position. This opens the way for other performance assessments with a considerably greater impact. In (Abdullah & Anwar, 2021), which is a peer-reviewed study, it is stated that common shareholder equity should be used to prevent measurement unit fluctuation and to accommodate changes in shareholders' equity that are either rapid or large. It uses three independent variables to analyze acquisition performance: accounting returns, stock market-based measures, and the assessments of the acquired companies' managers on the achievement of the pre-purchase objective. Because this approach has already produced the evident correlation between risk and equity values across the economy, it is valuable. A precise equation for equity returns is also generated, along with an equity return equation, which provides an expression for equity returns over time. Declines in predicted stock returns are accompanied by increased collective volatility. Such a viewpoint shows how important financial and non-financial measurements and frameworks are in determining a company's financial and non-financial success, and a lot of research has been done to discover acceptable frameworks. There is a 99% chance that portfolio results will fall short of expectations due to the delisting of a company. The market- and market-adjusted return findings suggest that the market return and the market return do not add up. While market inefficiency has been discovered in historical data, it doesn't mean that methods based on these findings are exploitable. Companies go through a delisting procedure and hence have a higher risk and lower liquidity after they have been delisted. We cannot assume that the return on their stock will be exploitable, hence we cannot assume it will be a good investment. This has focused on investigating the relation between financial and accounting parameters and market-based measures of risk through empirical research.

This research shows that various financial characteristics are significantly correlated to a market-based measure of risk (beta) and are helpful in future risk prediction. These discovered correlations provide a relationship between risk and return, which are two important factors in asset pricing models. Investment products have been discovered to be highly correlated with returns on investment. A high percentage of these correlations can be detected in the data, and they can usually be uncovered via less time-intensive analytic techniques (Abdullah, et al. 2017).

### **Expected Returns**

The methodology employed in behavioral research is distinct from traditional expected return studies. A more thorough approach to this project is studying the individuals' expectations and using these findings to assess their results. Whereas the conventional asset pricing models see investors relying on historical stock returns when formulating expectations for future stock returns, behavioral research shows that investors tend to rely on previous stock performances when projecting future returns. One example of this is (Ahmed, et al. 2021) who tested a group of several students on their ability to anticipate future stock values after having shown them both a bull and a bear market. Students who observed the price of a bull market anticipated the continued increase in the market price, while students who saw the price of a bear market anticipated the continued decrease in the market price. When multinational settings are included, these empirical difficulties become all the more pronounced (Ali & Anwar, 2021). While integration in global markets, differing regulatory and governance institutions, relative paucity of international data, and different accounting reporting standards all pose barriers to a standard or framework for measuring worldwide expected returns, these variables tend to vary drastically in terms of their degree of importance. One thing that can be said about prior research is that previous findings have demonstrated that variables that are thought to explain the variation in the returns of the US in-sample may not be relevant to the value investors find in different markets outside of the US (Ali, et al. 2021). It is possible to contest whether or not assumed constant expected returns are valid based on both theoretical and empirical analyses. Merton (1973) demonstrated in his key study of inter-temporal capital asset pricing that differences in investors' investment opportunity set are caused by dependence on random states of nature, which induces stochastic expected returns. [Investing in the stock market is based on what is known as the stationary distribution model, which asserts that investments have predictable cash flow. However, this model contradicts Shiller's finding that stock market investments are too volatile to be accounted for by stationary distribution cash

flow innovations. While perhaps never in practice, understanding the workings of finance and finding mathematical formulas to express them have long been an important focus of finance theory (Sharpe, 1964). During the past three decades, figuring out the cause of differences in expected returns has been the key organizing theoretical and empirical question in the asset-pricing discipline (Anwar, 2017).

Research prior to this one studies returns and earnings in conjunction to discover the following: It has been discovered that returns lag behind earnings, such as in the (Aziz, et al. 2021) study; or that returns lead or can change for reasons unrelated to earnings, such as in the Beaver et al. (1997) study or the Konchitchki (2011) study; and there is an increase in the significance of returns when time-averaged earnings are calculated. As a result, in contrast to this, under the shareholder model that is depicted in common-law countries, accounting standards emerge in the private sector accounting market, rather than in the government sector. Financial statements only provide a partial view at how well a company is performing, and this leaves the door open for performance measurements that have a much wider impact. When it comes to measuring the denominator, the research by (Damit, et al. 2019) states that common shareholder equity should be utilized to prevent variation in measurement units, and to adjust for quick growth or substantial changes in shareholders' equity. It assesses acquisition performance using three separate measurements: accounting returns, stock market-based metrics, and the assessments of the acquired companies' managers on the achievement of the targets established before to the purchase. The model is useful since it results in the obvious result that there is a negative correlation between risk and equity values across the economy. An equity return equation is also generated, which provides a precise equation for equity returns and shows how equity returns grow over time. Changes in aggregate volatility have a theoretical justification that is supported by recent empirical evidence showing that declines in projected stock returns are accompanied by greater changes in aggregate volatility. Such a view gives one a clear view of the importance of financial and non-financial performance measurements as well as frameworks for integrating them, and a great deal of research has been done to find suitable frameworks. The likelihood of lower-than-anticipated returns because of delisting is almost certain to alter estimates of portfolio returns because the expected return conditional on the reason for delisting is never zero. The conclusion that market return does not incorporate delisting returns is significant since it means that market and market-adjusted returns will be affected. A notable counter-argument was provided by (Hameed & Anwar, 2018) who



noted that findings of market inefficiency in historical data do not necessarily suggest that methods based on these results are exploitable. When corporations go through a delisting process, they are usually more hazardous and more illiquid. Consequently, we cannot assume that the return on their stock will be exploitable. Studies done using considerable amounts of empirical research have sought to examine the connection between financial and accounting factors and market-based measurements of risk. The findings from this research reveal that some financial (accounting) factors are substantially connected with a market-based measure of risk (beta) and are valuable in the prediction of future risk. The empirical asset pricing study concludes that a number of these observed correlations point to a link between risk and return and hence serve as the basis for asset pricing models. Properties of an investment product have been found to correlate strongly with financial return. These correlations can be found in the data and, for the most part, can be discovered without the use of a more time-intensive analysis process (Sabir, et al. 2021).

#### **Accounting-Based Measures Of Expected Returns of SME**

With behavioral research, there are no "predicted" returns, as this type of study uses a method different from the methods typically employed. An in-depth study of this topic would involve attempting to assess expectations and then see how those predictions pan out. Most asset pricing models anticipate investors to make use of previous stock return information in order to forecast future returns. Investing behavior appears to show that investors base their expectations on prior stock performance, rather than historic trends in stock prices. In this case, De Bondt [1993] showed 27 college students data on previous bear and bull markets, as well as the future stock prices for each market, and then predicted how well each group could anticipate future stock prices. In a bull market, students expect price increases to continue, whereas in a bear market, they expect price decreases to continue (Abdullah & Anwar, 2021).

The difficulties that are empirical in nature get more complex when multinational scenarios are considered (Lee, Ng, and Swaminathan, 2009). Formulating a standard or approach for calculating worldwide projected returns is complicated by the fact that there are multiple different world marketplaces, differing regulatory and governance frameworks, variable levels of international data, and distinct accounting reporting standards. Previous research has shown that commonly used variables to explain changes in the stock market have no predictive value for value investors (Anwar & Climis, 2017).

While theory and empirical analyses have concluded that it is possible to query whether or not constant expected returns are legitimate, the reality of the situation is such that the chances of that occurring are remote. One of the seminal papers to appear in 1973 was Merton's work on inter-temporal capital asset pricing, in which he argued that investors rely on random conditions of nature. Another cornerstone assumption in investing is known as the stationary distribution model, which claims that assets have constant cash flow. When looking at how to explain market behavior, Shiller claims that stocks are randomly distributed and have irregular cash flows, making it impossible to utilize stationary distribution cash flow innovations to describe the market (Anwar, 2017).

Unfortunately, finance theory concepts like finding financial formulas and understanding the workings of finance have never been practiced in practice (Sharpe, 1964). In the asset-pricing discipline, one of the major organizing theoretical and empirical concerns has been discovering the causes of disparities in predicted returns (Damit, et al. 2019).

In this research, the following points are discovered: Earlier study finds that returns and wages are connected. While return lags behind earnings, this link is likewise absent in the Beaver et al. (1997) study. In the Beaver et al. (1997) study, the time-averaged earnings metric is more important because of the significance of the findings. as a result, in contrast to this, common-law countries appear to have a bias toward the private sector when it comes to accounting rules. Companies are generally reluctant to publish all of their financial information, since only a portion of the information is useful in analyzing the long-term financial position of the business. This has far-reaching implications, opening the door for other performance assessments with a higher impact. Common shareholder equity should be employed to prevent measurement unit volatility and to handle rapid or substantial shareholder equity changes in a peer-reviewed study published in Palepu et al. (2010). It utilizes three distinct independent criteria for calculating acquisition success: accounting returns, stock market-based measurements, and the pre-purchase objectives of the target business' management. Using this methodology, we've already found that risk and equity values correlate across the economy, thus it is beneficial. Equity return and equity return equation equations are also constructed, with both giving accurate formulas for equity returns over time. When there is a decrease in the returns that were projected, there is a concomitant increase in collective volatility. When considering a company's financial and non-financial success, many financial and non-financial benchmarks and frameworks have been identified. It is a 99% certainty that the portfolio will underperform expectations, as the

company has been delisted. According to findings by the market and market-adjusted return, the market return and the market return do not equal each other. While inefficiency in the market has been found in the past, it doesn't mean that such results are viable for investment strategies. When a company is delisted, its risk increases and its liquidity decreases. It is unlikely that they have found exploitable profits, so we should not expect it to be a profitable investment (Abdullah, et al. 2017).

This has put a great deal of importance on conducting empirical study into the relationship between financial and accounting characteristics and market-based measures of risk.

A market-based measure of risk (beta) appears to be highly associated with numerous financial parameters and hence has the potential to be utilized for future risk prediction. By revealing these connections, these newly discovered relationships illustrate the role of risk and return in asset pricing models. Return on investment has been shown to be closely associated with investment products. This percentage of these correlations can be found in the data, and often, these connections can be recognized using analytic procedures that take less time (Abdullah & Anwar, 2021).

Behavioral research studies use a separate methodology than typical expected return studies. The analysis of the expectations of the individuals is an important step in understanding their results. Instead of focusing on historical stock returns, investors focus on previous stock performances when estimating future returns. One such study is that of (Ahmed, et al. 2021) who assigned many college students a range of stock values and asked them to forecast future values based on bull and bear markets. Students who noticed the increasing market price before a bull market expected the price to continue increasing, whereas students who noted the decreasing market price ahead of a bear market predicted that the price would keep decreasing.

International situations exacerbate these empirical issues (Lee, Ng, and Swaminathan, 2009). While all of these issues — which include global market integration, varied regulatory and governance institutions, and varying data and accounting reporting standards — serve as hurdles to a global return standard, they often range greatly in terms of their significance. According to past research, elements that are assumed to influence the variation in the returns of the United States may not be relevant to investors in other markets (Anwar, 2017). As there are theoretical and empirical analyses that can prove whether or not constant

anticipated returns are genuine, it is conceivable to argue whether or not assumed constant expected returns are valid. In Merton's groundbreaking study on inter-temporal capital asset pricing, which had important implications for understanding expected future returns, he found that investors' investment opportunity sets are the result of dependence on random states of nature, which causes stochastic expected returns. According to the stationary distribution model, which claims that investments have predictable cash flow, investing in the stock market is somewhat risky. Although this model rejects Shiller's findings that stock market investments are too erratic to be explained by stationary distribution cash flow innovations, Shiller's findings can still be applied to this model, although with limitations. Before this study, returns and earnings have both been studied to determine that: When time-averaged profits are calculated, the significance of returns increases. Accounting standards do not originate in the government sector as a result, rather, under the shareholder model that is depicted in common-law countries, they appear in the private sector accounting market.

*Research Hypothesis: Accounting-based will have significant influence on expected returns.*

### III. METHOD

The research was conducted in Erbil's SME. The researchers used a quantitative approach to evaluate the impact of Accounting-based will have significant influence on expected returns in SME in Kurdistan region of Iraq. The present thesis was analyzed using a questionnaire. Sample design is the technique or process that the researcher is able to accept in selecting objects for the survey is referred to as sample design. The research sample was chosen using a random sampling method and carried out in various locations in Kurdistan region of Iraq. A total of 175 questionnaires were issued, but only 162 participants completed them correctly. In order to examine the aspect of Accounting-based will have significant influence on expected returns in SME in Kurdistan region of Iraq. Participants were asked to rate the value of each object on a five-point scale ranging from unimportant to highly important.

### IV. FINDINGS

The current research focused on assessing the impact of Accounting-based will have significant influence on expected returns in SME in Kurdistan region of Iraq. The researchers applied simple regression analysis to measure the current study.

*Table.1: KMO and Bartlett Sphericity Test of Self-rating Items*

No	Factors	N of items	Sample	KMO	Bartlett test	
					Chi-Square	Sig
1	Accounting-based	10	162	.829	6021.3	.000
2	expected returns	11	162			

As we can see in table (1), the outcome of KMO is .829 which is higher than .001 this indicates that the sample size used for the current study was more than adequate. Furthermore, the result of Chi-Square is 6021.3 with the significant level .000.

*Table 2: Factor Analysis*

No	Components	Number of Items	N	Eigenvalue	Rotation Sums of Squared Loadings	
					% of Variance	Cumulative
1	Accounting-based	10	162	2.366	19.278	22.326
2	expected returns	11	162	4.025	17.285	27.231

Table (2) demonstrates Accounting-based as independent variables and a dependent variable expected returns. As for Cor Accounting-based, which had ten item explained 19.278% of the total variance. As for expected returns, which had eleven items explained 17.285% of the total variance.

*Table 3: Reliability Test*

Reliability Statistics		
Factor	Cronbach's Alpha	N of Items
Accounting-based	.748	10
Expected Returns	.761	11

As seen in table (3), the reliability analysis for 21 items used to measure the current study. The above 21 questions were distributed as follow; 10 items for accounting-based, 11 items for expected returns. The researchers applied reliability analysis to find out the reliability for each factors, the findings revealed as follow: as for accounting-based was found the Alpha to be .748 for 10 questions which indicated that all 10 questions used to measure expected returns were reliable for the current study.

*Table 4: Correlation analysis between Corporate governance and firm performance*

Correlations			
Variables	Pearson Correlation	Accounting-based	Expected Returns
Accounting-based	Pearson Correlation	1	.701**
	Sig. (2-tailed)		.000
	N	162	162
Expected Returns	Pearson Correlation	.701**	1
	Sig. (2-tailed)	.000	
	N	162	162

\*\* . Correlation is significant at the 0.01 level (2-tailed).

As it can be seen in table (4), the correlation analysis between accounting-based to measure its influence on Expected Returns in SME in Kurdistan region of Iraq. The finding revealed that the value of Pearson correlation ( $r = .701^{**}$ ,  $p < 0.01$ ), this indicated that there is positive and strong correlation between accounting-based and expected returns.

Table 5-Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709	.697	.638	.23741
a. Predictors: (Constant), Expected Returns				

Regression analysis is the study of interactions between variables.  $Y = f(x_1, x_2, \dots, x_c)$  The aim of regression analysis is to determine how Y can affect and alter X. The accounting-based approach is treated as an independent variable in this section, while Expected Returns is treated as a dependent variable. The volatility of a comparative advantage will be used to calculate its total difference. The variations are determined by calculating the sum of the squares of the expected competitive advantage values by the

overall mean divided by the number of participants. After dividing the variance by the overall variance of comparative benefit, the researcher discovered the sum or percentage of total differences or variances that are compensated for using regression analysis. The number can range from 0 to 1 and is defined by R Square. The value of R square = .697 as seen in Table (5), indicating that 69 percent of total variation has been clarified.

Table 6-ANOVA

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.521	1	121.025	201.201	.000 <sup>b</sup>
	Residual	32.582	625	.039		
	Total	145.103	626			
a. Dependent Variable: Expected Returns						
b. Predictors: (Constant), Accounting-Based						

Table (6) shows that the F value for Corporate governance as an independent variable =201.201, indicating that there is a significant relationship between accounting-based and expected returns ( $201.201 > 1$ ).

Table 7-Coefficients Analysis Corporate governance and firm performance

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.174	.033		2.652	.000
	accounting-based	.692	.014	.701	25.451	.000
a. Dependent Variable: expected returns						

Table (7) shows the implications of the research hypothesis: accounting-based strongly predicts expected returns (Beta is weight .701,  $p < .001$ ), implying that accounting-based would have a clear beneficial relationship with expected returns based on this findings the research hypothesis is supported.



## V. CONCLUSION

Despite its importance, this area of study presents empirical research with several issues. This is mainly because the dependent variable that one would expect returns to be higher than the market has not been directly observable. Thus, results are often debated because this metric is not frequently observable, exceptionally difficult to measure, and there is no generally accepted method for estimating its value. We argue that by definition, the standard for measuring a cross-section of future returns will provide statistical "proxies" that on average estimate future market returns across different asset classes. Although much work has been done on this measurement problem, as far as we know, no such approach exists. Nevertheless, it is important to take the findings of this study into consideration, especially given the following limitations. Similarly, we did not obtain subjective evaluations from expert informants as we did not have access to the necessary databases. The finding revealed that the accounting-based strongly predicts expected returns (Beta is weight .701, p.001), implying that accounting-based would have a clear beneficial relationship with expected returns based on this finding the research hypothesis is supported.

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